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Kheng Keng Auto: Growing beyond being a family business

Singapore Management University

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Humility, ethics, and family are key to success

When **Cher Kwang Siong** started working at his father's car repair workshop in 1988, it was a five-man operation in Yio Chu Kang in northern Singapore. Since then, he has expanded it into a car and car parts import and export company with about S$70 million (US$56 million) in sales last year. Kheng Keng Auto, named after Cher senior, has business dealings in over 50 countries worldwide, including a big presence in Africa. It is a leader in Singapore in promoting green initiatives in the used car parts business, which is not known to be a particularly clean or "green" industry. The company also has a clear Corporate Social Responsibility (CSR) programme.

All that might not raise an eyebrow in the case of an MNC, but KKA is a family-run business. It is also a business that has been totally transformed in the past 25 years.

> ***"Important things about doing business: Be humble; be ethical; the company is a big family."***

“On 18 Dec 1988 – the day I completed National Service – I remember I was very happy when I was holding the pink Identification Card,” recalls the younger Cher, “and I went to work the very next day. Back then, our office was made out of a modified and refurbished bus body.

“I had no idea what my father would say to me when he sat me down. He told me three things. Firstly, be humble when doing business. Secondly, be ethical in your business dealings. Thirdly, we are a big family, including the old-timer employees. Practice mutual tolerance and compromise, because there are differences between the old and new generations, but what is important is that everyone is heading in the same direction. We need to do all these three things well.”

From family-run business to professional management

Speaking to *Perspectives@SMU*, Cher said he has been practising what his father told him all those years ago, although he is still “trying to get it right”. The success of his company, he says, depends largely on the third point of valuing long-time employees: “The reason that we are still here today is really because of the old-timers. I have been with the company for 26 years, and I have a colleague who has been there for 32 years, some others for more than 20 years. We rely on these old-timers to share their accumulated experience.”

As it often happens in family-run businesses, the culture is less formal than that at MNCs. Where bureaucracy and formal rules prevail in a corporate environment, Cher’s employees pay less attention to protocol, but instead focus on what needs to be done to complete a task, however time-consuming or grueling. It is illustrative of Asian family businesses’ mindset of the benevolent patriarchy: work hard, and you shall be rewarded.

It also provided a wake-up call for Cher to modernise his management style.

“About 10 years ago, we had a management level employee come to us,” recalls Cher about KKA’s expansion drive into Japan. “He came to me and said, ‘We are really going at a breakneck pace.’ At that time he had already been with us for 12 to 13 years since he was 16, and he really could not keep up and wanted to quit. At that time, my employees lacked training but they really threw their weight behind their work. They would spend 3 months in Japan and work for 89 days straight – weekends included – before coming home. And they would work long hours in the office without claiming overtime.

“Perhaps in retrospect, we should have drawn them a clearer roadmap such as updating them on new employees and developments in the company. We may not have explained these things clearly. They might have felt that we were neglecting them. This is one hard lesson that I learnt.”

As a result, KKA now has quarterly meetings for those holding manager positions and above to review the company’s performance, and to communicate things such as operational budgets. Such measures are part of the company’s evolution towards corporatisation as it expands, as this would require professional managers.

The need to expand

Cher’s decision to expand was in part to address his greatest challenge: being able to pay for the best staff. In order to do that, he has constantly explored new markets while making sure the company runs smoothly. He had to learn how to delegate while making sure he knew what was happening in the company.

“I look at reports from all our locations every day, as well as their accounts,” Cher says, referring to the company’s business dealings in 54 countries around the world. “In our line of business, we need to know the very minute details. If not we will not be able to find solutions for our employees.

"For example, when we are entering a new market, or creating a new business model, I will personally go there for three to five months to complete the setup of the business before handing it over to the employees.”

He adds, “We want to do this to groom the second and third generations of workers. We want to retain good employees. Employees are a company’s most valuable asset. We need to earn more to reward employees. It is necessary for us to open new markets.”

That search for new markets has led Cher to Africa, which contributes about half of KKA’s revenue in 2013. The company has an office in Nairobi, Kenya, where the company runs a Corporate Social Responsibility (CSR) programme.

“For every car we sell in Kenya, we will donate US$50 to charity for use in the poorer areas. When we have accumulated enough funds, we will approach the local schools and ask if they need lighting, tables and chairs and things like that, to help them upgrade. I personally take whatever money is in my pocket and give it to them to buy textbooks for the schools.

“I do this also to let my children know what it is like in those schools.”

The succession issue

Cher takes his children on holidays to such countries – “I take my family on two vacations a year: one to a nice place, one to a less developed country” – to instill in them a sense of humility that his own father had preached to him on his first day at work. Cher senior also drummed into KKA’s current boss the need to give back to society, hence the focus on CSR, which is not restricted to Kenya but wherever KKA does business: “Every year, we have a budget. And we set aside funds for CSR such as charity purposes.”

Cher’s eldest son is currently 15, so it will be a while before he hands over the business to the next generation. That does not prevent him from thinking about how to advise his children when the time comes to pass on the business.

“The thing about this industry is that even if you take over the business, you need at least five to eight years to accumulate enough experience,” says Cher. “So even if they were to take over my company, I would prefer that they could have three to five years of work experience in other industries.

"Whether my children work in the banking industry, or the government sector, or even an MNC, it doesn't matter. It's better that they go out there and gain some exposure, experience new cultures, and then come back and be able to really help the employees with their experience as employees themselves."

Cher Kwang Siong and Kheng Keng Auto are currently working with Dr. Charles Chow, Adjunct Faculty at the Lee Kong Chian School of Business at Singapore Management University on a case under the Case Writing Initiative.